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FOR SWEETWOOD

FOLLOWING REPEAT LUBUMBASHI 0819 SENT ACTION SECSTATE INFO KIN-
SHASA, BRUSSELS, PARIS, LONDON 10 JUL 78

QUOTE C O N F I D E N T I A L LUBUMBASHI 0819

E.9. 11652 GDS

TAGS: EMIN,EFIN,CG,BE

SUBJECT: STATUS OF KOLWEZI MINES: I OF III PROBLEMS AHEAD IN
RESUMING FULL PRODUCTION

REF: (A) KINSHAS 6676 (B) LUBUMBASHI 0818, (C) LUBUMBASHI 0791

1. SUMMARY: THROUGH REMARKABLE EFFORT OF GECAMINES ZAIRIAN
STAFF IN KOLWEZI, TOTAL PRODUCTION FOR MONTH OF JUNE EXCEEDED
EXPECTATIONS: 31,000 MT OF COPPER AND 1,000 MT OF
COBALT. RAPID INITIAL RESUMPTION OF KOLWEZI OPERATIONS
MASKS SERIOUS PROBLEM WHICH IS DEVELOPING BETWEEN ZAIRIANS
AND EXPATRIATES OVER LONGER TERM MANAGEMENT OF COMPANY.
ZAIRIAN CADRE AT KOLWEZI WANT TO SHOW THEY CAN HANDLE WORK
WITHOUT EXPATRIATES. PRESIDENT MOBUTU HAS ISSUED ORDER
SUSPENDING EMPLOYMENT OF EVACUATED KOLWEZI EXPATRIATES AND
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SENT FEELERS TO FRENCH GOVERNMENT REGARDING REPLACEMENT OF
TECHNICIANS. SENIOR EXPATRIATES IN LUBUMBASHI SEEM UNSURE
OF THEIR FUTURE. WHILE DAILY OPERATIONS CONTINUE IN
REASONABLY NORMAL MATTER, PROBLEM OVER FUTURE ROLE OF
EXPATRIATES IS INHIBITING LONGER RANGE PLANNING WHICH WOULD
PERMIT GECAMINES TO RESUME FULL PRODUCTION END SUMMARY

2. GECAMINES RECOVERY FOLLOWING THE OCCUPATION OF KOLWEZI
HAS BEEN NOTHING SHORT OF REMARKABLE. THE CLOSING
OF THE KOLWEZI FACILITIES HAD DEPRIVED ZAIRE'S PRIMARY

FOREIGN EXCHANGE EARNER OF THE SOURCE OF 75 OF ITS COPPER AND 90 OZ OF ITS COBALT. OBSERVERS SPECULATED THAT MONTHS WOULD BE REQUIRED TO RESUME NEAR NORMAL OPERATIONS WITHOUT AN EXPATRIATE STAFF. ON ORDERS FROM PRESIDENT MOBUTU GECAMINES RESTARTED ITS ACTIVITIES AT ALL KOLWEZI FACTORIES IN EARLY JUNE, RELYING SOLELY ON THE EFFORTS OF THE COMPANY'S ZAIRIAN ENGINEERS AND WORKERS SUPPLEMENTED BY OCCASIONAL DAY-TIME VISITS FROM LUBUMBASHI STAFF MEMBERS. THE ZAIRIAN STAFF NOT ONLY PUSHED PRODUCTIVITY TO NEAR CAPACITY LEVELS BUT THEY MAINTAINED IT THROUGHOUT THE MONTH. TO THE SURPRISE OF EVERYONE GECAMINES PRODUCTION FOR THE MONTH OF JUNE EXCEEDED ALL EXPECTATIONS 31,000 MT OF I0034 -,\$ 1,000 MT OF COBALT (AS CONTRASTED WITH A 1977 MONTHLY AVERAGE OF 37,700 MT OF COPPER AND 850 MT OF COBALT) TO THE OUTSIDE. OBSERVERS IT APPEARED THAT GECAMINES HAD WEATHERED ZAIRE'S LATEST AND PERHAPS GREATEST CRISIS AND WOULD EASILY CONTINUE ITS DOMINANT ROLE IN THE COUNTRY'S ECONOMY BASED UPON THE SPEED WITH WHICH PRODUCTION WAS RESUMED. KOLWEZI GECAMINES PREPARED NEW PRODUCTION PROJECTIONS FOR THE REST OF THE YEAR AND THE COMING FIVE YEARS (REF B) A SURVEY TEAM WHICH VISITED THE INDUSTRIAL COMMERCIAL AND RESIDENTIAL SECTION OF KOLWEZI ASSESSED THE
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DAMAGE IN THE TOWN AT \$56.9 MILLION (REF C)

3. THE EARLY RESUMPTION OF OPERATIONS IN KOLWEZI AND HIGH PRODUCTION FIGURES FOR THE MONTH OF JUNE MASK PROBLEMS EVERY BIT AS SERIOUS AS THE LOSS OF KOLWEZI INSTALLATIONS APPEARED AT FIRST AND PERHAPS THE MOST SERIOUS SINCE THE CREATION OF THE STATE-OWNED COMPANY TEN YEARS AGO. AT THE CORE OF THE PROBLEM IS THE FUTURE ROLE, IN GENERAL OF THE EXPATRIATES AND IN PARTICULAR OF THE BELGIANS IN THE FUTURE OPERATIONS AND MANagements OF GECAMINES UNTIL THIS PROBLEM IS SOLVED, IT WILL OVERSHADOW 295#34 8 73 -- AND IT IS UNLIKELY THAT GECAMINES WILL BE ABLE TO RESUME FULL PRODUCTION.

4. THE EXPATRIATE ZAIRIAN PROBLEM IS NOT NEW BUT THE KOLWEZI ATTACK PERMITTED ITS EMERGENCE DESPITE THE CHANGE IN OWNERSHIP TEN YEARS AGO FROM THE BELGIAN OWNED UNION MINIERE TO A ZAIRIAN STATE OWNED COMPANY, GECAMINES HAS RETAINED AND PROMOTED INTO SERIOUS POSITIONS LARGE NUMBERS OF FORMER UNION-MINIERE EMPLOYEES. ALTHOUGH THERE IS A SENIOR TECHNICAL AND FINANCIAL DIRECTOR IN LUBUMBASHI AS WELL AS THE SENIOR DIRECTORS IN EACH OF THE OTHER MINING TOWNS WERE EXPATRIATES AT THE TIME OF THE KOLWEZI ATTACK. THE SENIOR ZAIRIANS WERE IN NON TECHNICAL, NON FINANCIAL ADMINISTRATIVE POSITIONS DEPUTES TO EXPATRIATES AND CHIEF OF SOME INSTALLATIONS. OVER THE YEARS AS GREATER NUMBERS OF ZAIRIANS WITH TECH-

NICA DEGREEES HAVE JOINED THE COMPANY RESENTMENT HAS GROWN OVER WHAT THEY CONSIDER THE "OLD BOY" BELGIAN HOLD OVER TOP POSITIONS.

5. THE ATTACK ON KOLWEZI PROVIDED THE OPPORTUNITY FOR KOLWEZI'S ZAIRIAN STAFF TO EXPRESS THEIR DISSATISFACTION WITH THE EXPATRIATE MANAGERS AND HOW THEY COULD RUN THE COMPANY'S MOST SOPHISTICATED FACILITIES WITHOUT THEM. UPON HIS VISIT TO KOLWEZI IN JUNE PRESIDENT
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MOBUTU NOTED THERE HAD BEEN TOO MANY BELGIANS AT KOLWEZI AND ORDERS ALL INSTALLATIONS TO RESUME OPERATIONS WITHOUT THEM. MOTIVATED BY PRIDE, THE ZAIRIAN STAFF PUSHED PRODUCTION AT KOLWEZI TO NEAR CAPACITY LEVELS. THEY RESENTED THE DAYLIGHT VISITS BY EXPATRIATES FROM LUBUMBASHI, WHOM THEY FELT OFFERED LITTLE REAL ASSISTANCE AND WERE NEVER AVAILABLE DURING EMERGENCIES AT NIGHT BUT WERE GETTING CREDIT FOR RESUMING THE MINING ACTIVITIES. THE KOLWEZI CADRE PREPARED A LIST OF EXPATRIATES THEY WOULD REFUSE TO ACCEPT BACK AT THE MINES WHICH AUTHORITIES USED TO HALT VISITS FROM LUBUMBASHI BY CERTAIN INDIVIDUALS. WORKING CONDITIONS HAVE NOT BEEN EASY IN KOLWEZI. IN ADDITION TO FATIGUE FROM LONG WORKING DAY, THE ZAIRIAN CADRE HAVE SUFFERED FROM CONTINUOUS MILITARY HARASSMENT AND INTER-TRIBAL SQUABBLES WHICH HAVE LANDED SOME CADRE IN JAIL. NONE THELESS THEY HAVE MAINTAINED THEIR HIGH MORALE AS WELL AS REASONABLY HIGH PRODUCTIVITY LEVELS. THERE ARE SIGNS THAT SIMILAR RESENTMENT OF EXPATRIATES HAS BEGUN TO EMERGE AT OTHER INSTALLATIONS AT KIPUSP, FOR EXAMPLE THE ZAIRIAN CADRE HAVE ALSO PREPARED A LIST OF UNACCEPTABLE CADRE AND ARE HOPING FOR AN OPPORTUNITY WHICH WILL ALLOW THEIR EXPULSION.

6. PRESIDENT MOBUTU AFTER NOTING THERE WERE TOO MANY BELGIANS AT KOLWEZI TOLD DELEGATE GENERAL UMBA THE NUMBER SHOULD BE REDUCED. LETTERS OF SUSPENSION WERE PREPARED FOR ALL EXPATRIATES EVACUATED FROM KOLWEZI BUT THE SENIOR EXPATRIATE STAFF IN LUBUMBASHI BLOCKED THE ISSUING OF THE LETTERS UNTIL UMBA RECONFIRMED WITH MOBUTU THAT SUCH DRASTIC ACTION SHOULD BE TAKEN. THE EXPATRIATE CHIEFS ARGUED SUCH LETTERS WERE AN UNNECESSARY BLOW TO PEOPLE WHO HAVE SUFFERED THROUGH KOLWEZI, WOULD MAKE
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FUTURE RECRUITMENT DIFFICULT, COULD BRING LAW SUITS AND WOULD DAMAGE MORALE IN OTHER TOWNS. MOBUTU PERSISTED AND LETTERS OF SUSPENSION WERE SENT EFFECTIVE JUNE ONE.

BY ZAIRIAN LAW THIS MEANS THAT UNLESS INDIVIDUAL IS
REHIRED AFTER TWO MONTHS, HIS CONTRACT IS TERMINATED.

7. SENIOR EXPATRIATES IN LUBUMBASHI ADMIT THAT THE
ZAIRIAN STAFF IN KOLWEZI HAD MOUNTED A HERCULEAN EFFORT
TO ATTAIN HIGH PRODUCTION LEVELS, UT THEY ARE IT WAS
NOT A DIFFICULT TASK TO RESTART ALL MINING
OPERATITIONS.
THE PROBLEMS LIE AHEAD IN ONE OR TWO MONTHS WHEN
THINKGS BEGIN TO FALL PART. ANYBODY CAN PUSH THE BUTTON
TO
START THE MININTIGS OPERATIONS BUT THEY ARGUE THE
EXPATRIATE STAFF WAS ESSENTIAL FOR TECHNICAL DIRECTION,
PREVENTATIVE MAINTENANCE ON MINING EQUIPMENT AND EMERGENCY
PROBLEMS SOLVING. THE ADDITONAL SHCOOLING BY THE
YOUNGER ZAIRIAN ENGINEERS WHO THE EXPATRIATES BELIEVE
WANT TO MUCH TOO FAST CANNOT MAKE UP FOR TH YEARS OF
EXPERIENCE OF THE SENIOR EXPATRIATES.

8. A RELATED ISSUE IN THE STRUGGLE OVER THE EXPATRIATE
PRESENCE IS BETWEEN THE BELGIANS AND THE FRENCH. SHORTLY
AFTER THR RECOOPATION OF KOLWEZI PRESIDENT MOBUTU
DISPATCHED DELEGATE GENERAL UMBA ON A TRIP TP PARIS WHERE
HE EXPLORED WITH FRENCH COOPERATION OFFICIALS TBEIR PRO
VIDING FRENCH TECHNICIANS FOR THE MINES IN KOLWEZI. AS
HET THERE HAS BEEN NO COMMITMENTS BUT SENIOR BELGIAN
EXPATRIATES IN LUBUMBASHI BELIEVE THE FRENCH MIGHT
SEIZE THIS OPPORTUNITY TO OBTAIN A GREATER ROLE IN
INTERNATIONAL COPPER MINING. THE FRENCH HAVE MADE OVERTURES
TO MOBUTU IN THE PAST ON THE MARKETING SIDE OF GECAMINES
BUT THE BELGIAN SECITE GENERALE DES MINERAIS HAS
ALWAYS SUCCEDED IN MAINTAING CONTROL NOT
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ONLY OVER MARKETING OF GECAMINES PROD-
UCTIONS BUT ALSO OVER THE
SUPPLY OF EXPATRIATE CADRE. ALTHOUGH GRENCN TOTAL 20 PC
OF THE EXPATRIATE STAFF(AGAINST 65 PC BELGIAN)
THEY CONTROL ONLY ONE OF THE SENIOR POSITIONS THAT OF
DIRECTNR OF FINANCE. NO OTHER NON-BELGIANS ARE REPRESENTATED ON JOINT
LEVELS. ALTHOUGH THERE ARE OCCASIONAL
EXPRESSIONS OF RESENTMENT THAT THE TOP EXPATRIATE PSOTIONS
ARE ALL RESERVED FOR THE BELGIANS, THE ISSUE IS SEEN
MOST EXPATRIATES IN LUUMBASHI AS AN EFFORT BY MOBUTU
TO DIVIDE THE GOVERNMENTS OF PARIS AND BRUSSELS
AND PREVENT THEM FROM DEVELOPING A COMMON
ZAIRIAN POLICY.
9. THE DAILY ROUTINE OF MANAGING ZAIRE'S LARGEST
COMPANY CONTINUES IN A NEAR NORMAL MANNER"ORGANIZING
DAILY TROPS OR WEEKLY TROP TO KOLWEZI FOR THE ACCEPTABLE
CADRE, ASSESSING DAMAGE AND PRODUCTION POSSIBILITIES,
HOLDING THE FIRST MEETING OF THE NEWLY NAMED COUNCIL

OF ADMINISTRATION ON JULY 5 (AN INTRODUCTORY SESSION SINCE SIX OF THE NINE MEMBERS HAD NO PREVIOUS EXPERIENCE WITH GECAMINES AFFAIRS) PROVIDING ASSISTANCE TO THE PAN AFRICAN FORCE FOR THEIR ADJUSTMENT TO LIFE IN ZAIRE AND ALLOCATING GECAMINES DIMINISHING FOREIGN EXCHANGE RESOURCES TO PAY THE MOST PRESSING BILLS, PURCHASE TONNS OF COKE AND FUEL AND OTHER ADEQUATE FOOD SUPPLIES FOR SHABA'S POPULATION (IN THE LAST FEW WEEKS, GECAMINES HAS ISSUED LETTERS OF CREDIT TO IMPORT 57,000 MT OF MAIZE WHICH WOULD NORMALLY CONSTITUTE A FOUR MONTH SUPPLY) DURING THE YEAR YEAR GECAMINES HAS NEVER BEEN ABLE TO MAKE MAIZE PURCHASES ON MORE THAN A MONTHLY BASIS. ALL OF THESE ACTIVITIES ARE IMPORTANT TO THE COMPANY'S OPERATIONS BUT THERE ARE PERIPHERAL TO THE CONFIDENTIAL

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LONGER RUN QUESTION OF RESUMING FULL PRODUCTION.

10. AT THE TOP LEVEL LITTLE ATTENTION IS GIVEN TO STEPS WHICH MIGHT BE TAKEN FOR LONG RUN PLANNING SOME SENIOR EXPATRIATES FEEL THEIR OWN TIME IN ZAIRE MIGHT BE LIMITED. ONE SENIOR EXPATRIATE NOTED THAT FOR ALL PRACTICAL PURPOSES THE MANAGEMENTS OF GECAMINES HAS BEEN TAKEN OVER BY PRESIDENT MOBUTU. THE IMPORTANT DECISIONS DURING THE COMING MONTHS WILL BE MADE BY HIM AND TRANSMITTED BY UMBA. UMBA WHO HAS SPENT MOST OF THE PAST TWO MONTHS COMMUTING BETWEEN LUBUMBASHI, KINSHASA AND EUROPE HAS HAD LITTLE TIME TO DEVOTE TO GECAMINES MANAGEMENT. THE SENIOR EXPATRIATES WHO SPEND THEIR TIME ON MINOR DAILY ISSUES SEEM TO HAVE ADOPTED A WAIT-AND-SEE ATTITUDE ABOUT THE FUTURE. THEY ARGUE THEY CAN DO LITTLE ELSE. THEY ARE UNABLE TO BEGIN ATTEMPTING TO REEQUIP UTULWEZI WITH EXPATRIATES BECAUSE OF THE SUSPENSION ORDER. THEY DO NOT KNOW HOW FAR MOBUTU WILL PUSH HIS DISPUTE WITH BELGIAN OR WHETHER THE FRENCH WILL PROVIDE TECHNICIANS UNDER A NEW MANAGEMENT AGREEMENT. THE WORLD BANK AT A MEETING IN LATE JUNE REVIEWED GECAMINES PROBLEMS BUT PUT OFF ANY DECISION ON FURTHER ASSISTANCE UNTIL OCTOBER. WITHOUT A WORLD BANK COMMITMENT NO DECISIONS CAN BE MADE ON RESUMING WORLD ON MHE P-2 EXPANSION PROGRAM. NO OTHER COMMITMENTS CAME OUT OF THE PARIS OR BRUSSELS MEETINGS WHICH WOULD PROVIDE FUNDS TO REBUILD KOLWEZI OR REHABILITATE GECAMINES OVERAGE EQUIPMENT. IF THERE IS AN OFFICIAL MOVE TO REPLACE THE BELGIANS WITH FRENCH AT KOLWEZI AND PERHAPS ELSEWHERE HOW WILL THIS AFFECT THE WILLINGNESS OF DONORS TO PROVIDE ASSISTANCE TO GECAMINES? NEITHER THE ZAIRIANS NOR EXPATRIATES AT GECAMINES CAN ANSWER THESE QUESTIONS.

11. GECAMINES PROBLEMS MUST BE RESOLVED IF ZAIRE IS
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TO FIND SOLVENCXYM ON THE ONE HAND GECAMINES CANNOT
BEGIN PLANNING AHEAD UNTIL MOBUTU MAKES UP HIS MIND
ABOUT THE COMPANY'S FUTURE DIRECTION. ON THE OTHER
HAND LITTLE PLANNING IS POSSIBLE UNTIL WESTERN
NATIONS MAKE UP THEIR MINDS ABOUT THEIR CONTINUING
COMMITMENT TO ZAIRE. UNTIL THERE IS MOVEMENT ON
THESE ISSUES GECAMINES WILL CONTINUE ITS DAY-TO-DAY
APPROACH TO MANAGEMENT. UNDER SUCH CIRCUMSTANCES THE
HIGH OUTPUT LEVELS OF JUNE CAN ONLY BE EXPECTED TO
DECLINE OVER THE COMING MONTHS.

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